The Spin-Off Report

November 20, 2025 8:30 AM EDT

Upgrade SOLS to BUY (from NEUTRAL) with Shares Seemingly Attractively Priced Following Post-Spin Sell Off

Solstice Advanced Materials Inc. – Post-Spin – BUY (*formerly NEUTRAL)*
Current share price (11/19/2025): $42.72
Ticker: SOLS

Fair Value Estimate: $59.50 per share
Shares Outstanding: ~160 million
Market Capitalization: ~$6.85 billion

Dividend / Yield: N/A

- Solstice Advanced Materials Inc. (NASDAQ: SOLS), completed its tax-free separation from Honeywell International Inc. (NYSE: HON) on October 29 2025; since that time, amid some degree of technical factors given the size disparity, which precipitated SOLS's transition from the Dow Jones Industrial Average (DJIA) to the S&P 500, as well as, more importantly, the lack of, at least in our view, a natural shareholder constituency within the larger parent (i.e., a greater Aerospace & Automation focus) shares have declined ~13.5% (underperforming the S&P 500 and Russell 2000 indexes by ~10% and 8%, respectively).
- In that context, with shares currently trading at ~6.5x 2026E EV/EBITDA, which represents a multiple more in-line with its lower-margin/commoditized and highly levered peer Chemours (NYSE: CC) but a steep discount to what we view as its more relevant comparisons, namely Entegris (NASDAQ: ETNG) and Element Solutions (NYSE: ESI), which trade at ~16x and 12x, respectively, we think shares are attractively priced for a high-quality specialty materials company with solid end-market exposures as well as comparatively low leverage (i.e., ~1.5x versus CC at ~5.0x) and liability exposure (i.e., PFAS).
- Recall, in terms of recent results, management re-iterated its initial 2025E guidance on its most recent 3Q 2025 conference call, which was held earlier this month (see Exhibit 1), and its "Medium-Term" targets continue to call for low-to-mid single digit top-line growth, a mid-single digit adjusted EBITDA CAGR, and a free cash flow conversion ratio of greater than 70% (see Exhibit 2). Capital expenditures are projected to be in the mid-single digits (down from ~10% in 2025E), as a percentage of sales, and the net leverage target is ~1.5x (roughly in line with current levels).
- In terms of valuation, our fair value estimate remains $59.50 per share, reflecting a blended multiple of 10.9x on 2026E EV/EBITDA as well as projected net debt of ~$1.6 billion and a diluted share count of ~160 million (see Exhibit 3 and Exhibit 4 on pages 2 and 3).
- Please see the *Spin-Off Report* dated October 14, 2025, and the *Updates* from 10/16/2025 and 10/30/2025 as well as the *Reference* section on pages 4-8, for more information.

Current coverage and research archive is available online at **spinoff.report**

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Exhibit 1 Solstice Advanced Materials: 2025E Guidance

	2025E Guidance		
		Initial/Current	
	Low	Mid-Point	High
2025E Sales	$3,750	**$3,800**	$3,850
Projected EBITDA margin	25.0%	**25.0%**	25.0%
2025E adj. EBITDA	$938	**$950**	$963
Capital expenditures	$365	**$390**	$415
% of projected sales	9.7%	**10.3%**	10.8%

Source: Company reports, Bloomberg, and *The Spin-Off Report* estimates.

Exhibit 2 Solstice Advanced Materials: Initial "Medium-Term" Targets, Selected Items

	Medium-Term Targets
Organic growth CAGR	**Low - to Mid-Single Digits**
Adj. EBITDA CAGR growth	**Mid- Single Digits**
Free cash flow (FCF) conversion	>70%
CapEx (% of sales)	Mid-Single Digits
Net leverage ratio target	**~1.5x**

Source: Company reports.

Exhibit 3 Solstice Advanced Materials: Valuation Sensitivity for Post-Spin Solstice

Valuation Sensitivity of Solstice

EBITDA margin	EV/EBITDA Multiple						
	8.0x	**9.0x**	**10.0x**	**11.0x**	**12.0x**	**13.0x**	**14.0x**
23.5%	$35.20	$40.84	$46.48	$52.12	$57.76	$63.40	$69.04
24.5%	$37.12	$43.00	$48.88	$54.76	$60.64	$66.52	$72.40
25.5%	$39.04	$45.16	$51.28	$57.40	$63.52	$69.64	$75.75
26.5%	$40.96	$47.32	$53.68	$60.04	$66.40	$72.76	$79.11
27.5%	$42.88	$49.48	$56.08	$62.68	$69.28	$75.87	$82.47
28.5%	$44.80	$51.64	$58.48	$65.32	$72.16	$78.99	$85.83

Source: Company reports.

Exhibit 4 Solstice Advanced Materials: Post-Spin Valuation Scenario

	Solstice
2025E Revenue	$3,762
Growth	2.5%
2026E Revenue	**$3,845**
Refrigerants & Applied Solutions	$2,728
Electronics & Specialty Materials	$1,117
Adj.EBITDA	**$1,019**
EBITDA margin	26.5%
Refrigerants & Applied Solutions	$1,023
Electronics & Specialty Materials	$202
Corporate costs	($207)
Applied multiple	10.9x
Enterprise value	**$11,126**
Net debt	($1,590)
Market capitalization	**$9,536**
Diluted shares	160
Fair value per share (pre-spin)	$14.88
Fair value per share (post -spin)	**$59.52**
Net income	**$496.3**
Diluted shares	160
Earnings per share	**$3.10**
Earnings per share (pre-spin)	$0.77
Implied multiple	19.2x
Fair value per share (pre-spin)	$14.88
Fair value per share (post-spin)	**$59.52**

Source: Company reports, Bloomberg, and *The Spin-Off Report* estimates.

For Reference:

Post-spin Solstice Advanced Materials, the former Advanced Materials business under the umbrella of its soon-to-be former parent, will be comprised of two businesses: 1) Refrigerants & Applied Solutions (~72% of sales and ~84% of adj. EBITDA in 2024); and 2) Electronic & Specialty Materials (~28% of sales and 16% of adj. EBITDA in 2024). On a consolidated basis, the business generated compound annual net sales growth of ~4.4% in the period 2017-2024 (versus peers at ~3.9%), driven relatively evenly between volume and pricing, and ended the year with a standalone adj. EBITDA margin profile of ~26.4%, reflecting segment margins of nearly 40% and ~20%, respectively. SOLS's return on invested capital (ROIC) was ~21.5% in 2024. In terms of its manufacturing footprint, roughly 90% of U.S. sales are produced domestically with ~60% of international sales being manufactured locally.

Exhibit 5 Solstice Advanced Materials: Consolidated Business Overview, Selected Items (2024)

Product Mix:		**End Markets:**		**Geography:**	
Refrigerants	34%	HVAC	18%	United States	61.0%
Building Solutions & Intermediates	20%	Automotive	16%	EMEA	23.0%
Healthcare Packaging	6%	Alternative Energy	12%	Other International	16.0%
Alternative Energy Services	12%	Construction	11%		
Safety & Defense Solutions	5%	Chemicals	11%	**Customers:**	
Research & Performance Chemicals	13%	Industrial & Other	10%	Largest customer	< 3%
Electronic Materials	10%	Semiconductors	10%	Top-10	16%
		Life Science & Medical	8%	Remainder (3,000)	~84%
		Defense	4%		

Source: Company reports, Bloomberg and Institutional Research Group estimates.

The Refrigerants & Applied Solutions (RAS) segment will itself be comprised of four sub-segments/product offerings: 1) Refrigerants (48% of sub-segment sales in 2024 or ~$1.3 billion), which provides both cooling (and heating) solutions to the automotive industry (both ICE & EV) as well as the residential & commercial air conditioning and refrigeration sectors, including for data centers (as well as supermarkets). Anecdotally, without providing specific guidance management indicates the refrigerants business is SOLS's highest margin vertical with an "attractive" growth profile and a "stable" pricing environment; 2) Building Solutions & Intermediates (~27% of sub-segment sales), including insulation; 3) Alternative Energy Services (16% of sub-segment sales), including nuclear; and 4) Healthcare Packaging (~9% of sub-segment sales in 2024), including the Aclar brand, which offers clear, ultra moisture resistant barriers for medical packaging, as well as medical propellants (where it partners with customers, including AstraZeneca to produce high-quality meter dosed inhalers).

Exhibit 6 Solstice Advanced Materials: Refrigerants & Applied Solutions Segment, Selected Historical Financial Items (2022-1H 2025)
($ in millions)

	2022	2023	2024	6 mos. 2024	6 mos. 2025
Sales	**$2,378**	**$2,629**	**$2,721**	**$1,445**	**$1,392**
Refrigerants	$1,285	$1,372	$1,302	$668	$744
Building Solutions & Intermediates	$733	$718	$738	$367	$364
Alternative Energy Services	$177	$308	$446	$302	$182
Healthcare Packaging	$183	$231	$235	$108	$102
Cost of goods	$1,363	$1,591	$1,678	$895	$842
SG&A	$134	$162	$160	$83	$90
Segment profit	**$881**	**$876**	**$883**	**$467**	**$460**
Depreciation & amortization	$108	$163	$175	$90	$88
Adj. EBITDA	**$989**	**$1,039**	**$1,058**	**$557**	**$548**
Margins:					
Gross margin	42.7%	39.5%	38.3%	38.1%	39.5%
Segment profit margin	37.0%	33.3%	32.5%	32.3%	33.0%
EBITDA margins	41.6%	39.5%	38.9%	38.5%	39.4%
Capital expenditures	**$163**	**$234**	**$228**	**$100**	**$89**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

The Electronic & Specialty Materials segment will be comprised of three sub-segments: 1) Research & Performance Chemicals (~46% of sub-segment sales in 2024), which provides reagents, high-purity solvents and fluorine-based salts, primarily under the Hydranal and Fluka brands, which serve a variety of industries, including pharma, automotive, electronics and construction; 2) Electronic Materials (~36.5% of subsegment sales), including high-purity copper sputtering targets, electronic polymers, wash solvents as well as heat spreaders & thermal interface materials; and 3) Safety & Defense Solutions (~17.5% of sub-segment sales in 2024), which produces Spectra-branded polyethylene fibers used for light-weight, ballistic resistant materials used for military & law enforcement applications (i.e., body & vehicle armor with customers such as Safariland) as well as in the medical space.

Exhibit 7 Solstice Advanced Materials: Electronic & Specialty Materials Segment, Selected Historical Financial Items (2022-1H 2025)

($ in millions)

	2022	2023	2024	6 mos. 2024	6 mos. 2025
Sales	**$1,209**	**$1,020**	**$1,049**	**$505**	**$538**
Research & Performance Chemicals	$600	$464	$482	$229	$253
Electronic Materials	$480	$407	$381	$188	$194
Safety & Defense Solutions	$129	$149	$186	$88	$91
Cost of goods	$842	$773	$784	$386	$409
SG&A	$106	$104	$103	$50	$52
Segment profit	**$261**	**$143**	**$162**	**$69**	**$77**
Depreciation & amortization	$41	$52	$39	$19	$28
Adj. EBITDA	**$302**	**$195**	**$201**	**$88**	**$105**
Margins:					
Gross margin	30.4%	24.2%	25.3%	23.6%	24.0%
Segment profit margin	21.6%	14.0%	15.4%	13.7%	14.3%
EBITDA margins	25.0%	19.1%	19.2%	17.4%	19.5%
Capital expenditures	**$91**	**$61**	**$63**	**$27**	**$49**

Source: Company reports, Bloomberg and Institutional Research Group estimates.

On a post-spin, standalone basis, including ~$93 million of recurring costs associated with being a separate publicly traded entity, Solstice, as of the end of 2Q 2025, generated trailing-12-month (TTM) sales of $1.1 billion, ~$1.015 billion of adjusted EBITDA (or a margin of 27.1%), and a free cash flow (FCF) conversion ratio of ~70%

Exhibit 8 Solstice Advanced Materials: "Standalone" Solstice Financials, Selected Items
($ in millions)

	2024	1H 2024	1H 2025	TTM 2Q 2025
Adjusted EBITDA *(historical)*	$1,098	$565	$575	$1,108
Adjusted EBITDA margin (%)	29.1%	29.0%	29.8%	29.5%
Adjustments:				
Recurring standalone costs	($44)	($22)	($28)	($50)
Other Recurring standalone costs	($59)	($30)	($14)	($43)
Total	($103)	($52)	($42)	($93)
Adjusted Standalone EBITDA	**$995**	**$513**	**$533**	**$1,015**
Adjusted EBITDA margin (%)	26.4%	26.4%	27.6%	27.1%
Capital expenditures	($296)	-	-	($303)
Adj. EBITDA less CapEx	**$699**	-	-	**$712**
Cash conversion	70.3%	-	-	70.1%

($ in millions)
Source: Company reports.

In terms of capitalization, SOLS is expected to debut with net debt of ~$1.5 billion, including ~$450 million in cash and slightly less than $2.0 billion in debt (with a high below investment grade credit rating of BB+), implying a net debt to leverage ratio of ~1.5x and a net debt-to-capitalization ratio of ~48%. To that end, the company issued a $1 billion Term Loan B (at SOFR plus 175 basis points), as well as $1 billion of 5.625% Senior Notes due 2033, which will be utilized to fund a ~$1.5 billion distribution to its former parent. The company will also possess an undrawn ~$1 billion revolving credit facility that will be available for working capital needs. The company intends to eventually pay out a "modest" dividend, although any plans will need to be approved by the Board. Also, it is open to opportunistic share repurchases (but, again, no authorization currently exists), as well as tuck-in acquisitions.

Exhibit 9 Solstice Advanced Materials: Pro Forma Balance Sheet, Selected Items
($ in millions)

	2023	2024	As of June 30, 2025	
	Historical	Historical	Historical	Pro Forma *Current*
Assets:				
Cash & equivalents	**$606**	**$661**	**$873**	**$450**
Liabilities:				
Long-term debt	**-**	**-**	**-**	**$1,971**
Current portion	-	-	-	-
Long-term debt	-	-		$1,971
Net debt	**-**	**-**	**-**	**$1,521**
Total liabilities & equity	$4,657	$5,004	$5,457	$5,089
Stockholders' equity:				
Common stock	-	-	-	$2
Additional paid-in-capital	-	-	-	$1,420
Parent company net investment	-		$3,706	-
Accumulated comprehensive loss	-		($164)	($164)
Shareholders Equity	**$3,111**	**$3,258**	**$3,542**	**$1,258**
Non-controlling interest	($83)	($76)	($69)	($69)
Total equity	**$3,028**	**$3,182**	**$3,473**	**$1,189**
Total capitalization	**-**	**-**	**$3,473**	**$3,160**
Debt to capitalization	-	-	-	62.4%
Net debt to capitalization	**-**	**-**	**-**	**48.1%**
Total leverage ratio				1.9x
Net leverage ratio				**1.5x**

($ in millions)
Source: Company reports.

In terms of public peers, Solstice (the pre-spin Advanced Materials business), could, for valuation purposes, be compared with Arkema SA (AKE FP), Avient Corp. (NYSE: AVNT), Chemours (NYSE: CC), Eastman Chemical Co. (NYSE: EMN), Element Solutions (NYSE: ESI), Entegris Inc. (NASDAQ: ENTG), Materion Corp. (NYSE: MTRN), RPM International (NYSE: RPM), which trade at ~10x 2026E EV/EBITDA (in a range of 5x-17x). [Note: For its part, management has anecdotally indicated its contention that given the businesses' outsized margin profile relative to peers, the standalone Advanced Materials (AM) business should trade at a premium to competitors, specifically Arkema and Chemours.]

Disclosures

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